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S. C. PUBLIC SERVICE COMMISSION  
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BEFORE THE  
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 96-318-C

In Re: Interim Local Exchange Carrier (LEC) Fund )  
 )  
 )

TESTIMONY OF  
STEVEN MELTZER

**Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.**

**A.** My name is Steven Meltzer and my business address is 6315 Seabrook Road, Seabrook, Maryland. I am Direct - Separations, of John Staurulakis Inc. (JSI), a telecommunications consulting firm specializing in independent telephone company revenue recovery matters, including both regulated and nonregulated pricing, toll settlements, and access rate development. The firm was founded in 1962 by Mr. John Staurulakis, its still-active president. In addition to its Maryland office, JSI has regional offices in Atlanta, Minnesota, and Texas, and currently assists over 200 companies in intercompany settlements, regulatory and tariffing matters.

**Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE IN TELECOMMUNICATIONS.**

**A.** In 1976, I received a Bachelor's degree in Management and Technology from the American University, Washington, D.C. From April 1977 to December 1984 I worked at JSI as a cost separations consultant. My responsibilities included preparing toll cost separation studies for clients in several states.

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1 In January 1985 I became a Supervisory Consultant responsible for the overall preparation  
2 and submission of numerous Intrastate and Interstate toll cost separations studies, rate case  
3 work, and Intrastate tariff filings for a number of JSI clients.

4  
5 In October 1992, I was promoted to my current position. I currently have day to day  
6 responsibility for the overall supervision and coordination of over one hundred annual and  
7 quarterly Intrastate and Interstate toll cost separations studies, the filing of End User,  
8 Common Line, and Traffic Sensitive Access Tariffs with the Federal Communications  
9 Commission ("FCC"), the annual Universal Service Fund Data Submission required by  
10 the FCC and numerous Intrastate toll, access, and local tariff filings. In addition, I have  
11 been actively involved in the development and presentation of several JSI seminars.  
12 Topics include: Part 32 and Part 64 Accounting; Separations; Access and Settlements; and  
13 Budgeting and Forecasting. I am also a member of the Organization for the Protection  
14 and Advancement of Small Telephone Companies (OPASTCO) Separations and Access  
15 Committee.

16  
17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

18 **A.** I have been requested by the South Carolina Telephone Coalition ("SCTC"), an informal  
19 organization of Local Exchange Carriers ("LECs") in the State of South Carolina, to  
20 present testimony on the data supporting the development of the Interim LEC Fund  
21 ("Fund") in South Carolina.

1     **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2     **A.**     The purpose of my testimony is to outline the data collected by Coalition members and  
3             the calculations made in support of the composition of the Fund. As required in S.C. Act  
4             No. 354 of 1996 ("the Act"), electing incumbent LECs, other than incumbent LECs  
5             operating under an alternative regulation plan approved by the Commission prior to the  
6             date of enactment, must set their toll switched access rates at levels comparable to the toll  
7             switched access rate levels of the largest LEC operating within the State of South  
8             Carolina. Due to the fact that SCTC companies will experience significant revenue  
9             reductions as a result of setting their intrastate switched access rates to the intrastate  
10            switched access rates of the largest LEC in the state, the legislation provides for a revenue  
11            recovery mechanism. The Act provides for the adjustment of "other rates" not to exceed  
12            statewide average rates, and provides that the South Carolina Public Service Commission  
13            shall allow distributions from the Interim LEC Fund "as may be necessary to recover  
14            those revenues lost through the concurrent reduction of the intrastate switched access  
15            rates."

16    **Q.     WHAT IS THE PROJECTED SIZE OF THE INTERIM LEC FUND FOR THE**  
17    **SCTC COMPANIES IN 1997?**

18    **A.**     It is projected, based on calendar year 1995 demand data, that the Fund will be  
19             \$17,291,064 (Please see Exhibit A, Page 1, Column c, Total). In 1997, the first year of  
20             the Fund, this figure incorporates the amount of reduced access charge billing less the  
21             amount recovered from the initial year of local service rate adjustments.

1     **Q.     WHAT ARE THE TOTAL ANNUAL REDUCTIONS IN ACCESS REVENUES AS**  
2     **A RESULT OF SETTING COALITION COMPANIES' COMPANY-SPECIFIC**  
3     **INTRASTATE SWITCHED ACCESS RATES TO THE INTRASTATE SWITCHED**  
4     **ACCESS RATES OF THE LARGEST LEC IN THE STATE AND HOW WERE**  
5     **THESE REDUCTIONS CALCULATED?**

6     **A.**     The reduction in access revenues was determined for each SCTC member by accumulating  
7     its calendar year 1995 billed intrastate access minutes of use as well as applicable area  
8     calling plan (ACP) minutes of use. The differences in the switched access rates of the  
9     largest LEC in the state as of October 1, 1996, and the individual company-specific  
10    switched intrastate access rates were then applied to the applicable base period minutes,  
11    thereby generating the total annual reduction in access revenues which has been calculated  
12    as \$21,393,840. (Please see Exhibit A, Page 1, Column a, Totals).

13  
14    **Q.     WHAT IS THE BASIS FOR THE ADJUSTMENTS OF "OTHER RATES" FOR**  
15    **COALITION MEMBERS IN ORDER TO OFFSET ACCESS REDUCTIONS AND**  
16    **ARRIVE AT THE ANNUAL TOTAL INTERIM LEC FUND?**

17    **A.**     Each company provided a schedule of rate adjustments that would take place over a  
18    maximum of five years. The proposed rate adjustments were applied against December  
19    1995 subscriber data, which was then annualized, to determine the amount of local  
20    revenue that would be generated to reduce the size of the Fund annually. In those  
21    instances where companies with rates below the targeted rates did not adjust their rates,  
22    an imputation calculation was made.

1     **Q.     WHAT "OTHER RATES" WERE ADJUSTED FOR PURPOSES OF REDUCING**  
2     **THE FUND?**

3     **A.**     Rates for R-1 (rotary and touch-tone), B-1 (rotary and touch-tone), Key Systems, PBX,  
4     Semi-public Pay Stations, Zone charges, and COCOT (unless the rate is currently tariffed  
5     as a derivative of R-1 or B-1 rates) services were adjusted to offset the size of the Fund.

6     **Q.     WHAT HAPPENS IF A COMPANY HAS LOCAL SERVICE RATES EQUAL TO**  
7     **OR GREATER THAN THE STATEWIDE AVERAGE RATES?**

8     **A.**     Under the plan, companies with local rates in excess of statewide averages were not  
9     required to adjust local rates.

10    **Q.     IS THE ANNUAL INTERIM LEC FUND REDUCTION THE SAME IN EACH**  
11    **YEAR DURING THE TRANSITION PERIOD?**

12    **A.**     No, not all SCTC member companies elected to transition rates in equal increments over  
13    the transition period. For example, a coalition company could elect to transition the first  
14    two years of rate adjustments during the first year of the plan in order to avoid rate  
15    increases during each year of the plan.

16    **Q.     WHAT IS THE ESTIMATED SIZE OF THE FUND AT THE END OF THE FIVE**  
17    **YEAR TRANSITION PERIOD?**

18    **A.**     Using calendar year 1995 data to calculate the total amount of access revenue reductions  
19    and reducing that amount by the amount of "other rate" revenue adjustments, the  
20    estimated Fund size at the end of the transition period for SCTC companies will be  
21    \$9,954,584. (Please see Exhibit A, Page 5, Column c, Totals). This amount does not  
22    reflect potential adjustments to the size of the Fund.

South Carolina Telephone Coalition - Interim LEC Fund Schedule

**Transition Year 1997**

	(a)	(b)	(c)
Company	Access Revenue Reductions	Interim LEC Fund Reduction	Total Interim LEC Fund
ALLTEL	\$1,940,605	\$704,570	\$1,236,035
Bluffton	\$ 279,657	\$ 56,297	\$ 223,360
Chesnee	\$ 414,540	\$ 0	\$ 414,540
Chester	\$ 910,672	\$ 80,769	\$ 829,903
Farmers	\$2,739,091	\$290,387	\$2,448,704
Fort Mill	\$ 32,334	\$ 32,334	\$ 0
Hargray	\$1,760,222	\$335,351	\$1,424,871
Heath Springs *	\$ 300,765	\$ 0	\$ 300,765
Home	\$ 923,828	\$276,706	\$ 647,122
Horry	\$1,852,697	\$363,560	\$1,489,137
Lancaster	\$ 206,279	\$206,279	\$ 0
Lockhart	\$ 26,738	\$ 3,052	\$ 23,686
McClellanville	\$ 503,893	\$ 494	\$ 503,399
Norway	\$ 40,214	\$ 1,585	\$ 38,629
Palmetto Rural	\$1,578,602	\$152,909	\$1,425,693
Piedmont Rural	\$ 913,291	\$286,606	\$ 626,685
Pond Branch	\$2,703,899	\$ 39,721	\$2,664,178
Ridgeway	\$ 144,032	\$ 17,392	\$ 126,640
Rock Hill	\$ 831,362	\$831,362	\$ 0
St. Stephen	\$ 350,494	\$ 87,635	\$ 262,859
Sand Hill	\$ 756,192	\$151,857	\$ 604,335
Williston	\$ 740,723	\$ 0	\$ 740,723
West Carolina	\$1,443,710	\$183,910	\$1,259,800
Totals	\$21,393,840	\$4,102,776	\$17,291,064

\* Interim LEC Fund reduction yet to be resolved

South Carolina Telephone Coalition - Interim LEC Fund Schedule

Transition Year 1998

	(a)	(b)	(c)
Company	Access Revenue Reductions	Interim LEC Fund Reduction	Total Interim LEC Fund
ALLTEL	\$1,940,605	\$853,841	\$1,086,764
Bluffton	\$ 279,657	\$111,859	\$ 167,798
Chesnee	\$ 414,540	\$ 0	\$ 414,540
Chester	\$ 910,672	\$347,948	\$ 562,724
Farmers	\$2,739,091	\$510,718	\$2,228,373
Fort Mill	\$ 32,334	\$ 32,334	\$ 0
Hargray	\$1,760,222	\$683,959	\$1,076,263
Heath Springs *	\$ 300,765	\$ 0	\$ 300,765
Home	\$ 923,828	\$553,710	\$ 370,118
Horry	\$1,852,697	\$738,123	\$1,114,574
Lancaster	\$ 206,279	\$206,279	\$ 0
Lockhart	\$ 26,738	\$ 9,089	\$ 17,649
McClellanville	\$ 503,893	\$ 2,330	\$ 501,563
Norway	\$ 40,214	\$ 2,201	\$ 38,013
Palmetto Rural	\$1,578,602	\$282,836	\$1,295,766
Piedmont Rural	\$ 913,291	\$286,606	\$ 626,685
Pond Branch	\$2,703,899	\$162,822	\$2,541,077
Ridgeway	\$ 144,032	\$ 29,636	\$ 114,396
Rock Hill	\$ 831,362	\$831,362	\$ 0
St. Stephen	\$ 350,494	\$ 91,728	\$ 258,766
Sand Hill	\$ 756,192	\$303,714	\$ 452,478
Williston	\$ 740,723	\$ 0	\$ 740,723
West Carolina	\$1,443,710	\$317,686	\$1,126,024
Totals	\$21,393,840	\$6,358,781	\$15,035,059 **

\* Interim LEC Fund reduction yet to be resolved

\*\* Does not reflect future adjustments to Fund

South Carolina Telephone Coalition - Interim LEC Fund Schedule

**Transition Year 1999**

	(a)	(b)	(c)
Company	Access Revenue Reductions	Interim LEC Fund Reduction	Total Interim LEC Fund
ALLTEL	\$1,940,605	\$881,669	\$1,058,936
Bluffton	\$ 279,657	\$167,421	\$ 112,236
Chesnee	\$ 414,540	\$ 0	\$ 414,540
Chester	\$ 910,672	\$615,127	\$ 295,545
Farmers	\$2,739,091	\$731,049	\$2,008,042
Fort Mill	\$ 32,334	\$ 32,334	\$ 0
Hargray	\$1,760,222	\$1,032,568	\$ 727,654
Heath Springs *	\$ 300,765	\$ 0	\$ 300,765
Home	\$ 923,828	\$553,710	\$ 370,118
Horry	\$1,852,697	\$1,112,687	\$ 740,010
Lancaster	\$ 206,279	\$206,279	\$ 0
Lockhart	\$ 26,738	\$ 15,126	\$ 11,612
McClellanville	\$ 503,893	\$ 4,166	\$ 499,727
Norway	\$ 40,214	\$ 2,816	\$ 37,398
Palmetto Rural	\$1,578,602	\$424,254	\$1,154,348
Piedmont Rural	\$ 913,291	\$701,735	\$ 211,556
Pond Branch	\$2,703,899	\$285,923	\$2,417,976
Ridgeway	\$ 144,032	\$ 41,880	\$ 102,152
Rock Hill	\$ 831,362	\$831,362	\$ 0
St. Stephen	\$ 350,494	\$ 95,821	\$ 254,673
Sand Hill	\$ 756,192	\$455,571	\$ 300,621
Williston	\$ 740,723	\$ 0	\$ 740,723
West Carolina	\$1,443,710	\$451,462	\$ 992,248
Totals	\$21,393,840	\$8,642,960	\$12,750,880 **

\* Interim LEC Fund reduction yet to be resolved

\*\* Does not reflect future adjustments to Fund



South Carolina Telephone Coalition - Interim LEC Fund Schedule

Transition Year 2000

	(a)	(b)	(c)
Company	Access Revenue Reductions	Interim LEC Fund Reduction	Total Interim LEC Fund
ALLTEL	\$1,940,605	\$902,389	\$1,038,216
Bluffton	\$ 279,657	\$222,984	\$ 56,673
Chesnee	\$ 414,540	\$ 0	\$ 414,540
Chester	\$ 910,672	\$882,335	\$ 28,337
Farmers	\$2,739,091	\$731,049	\$2,008,042
Fort Mill	\$ 32,334	\$ 32,334	\$ 0
Hargray	\$1,760,222	\$1,381,986	\$ 378,236
Heath Springs *	\$ 300,765	\$ 0	\$ 300,765
Home	\$ 923,828	\$553,710	\$ 370,118
Horry	\$1,852,697	\$1,847,251	\$ 5,446
Lancaster	\$ 206,279	\$206,279	\$ 0
Lockhart	\$ 26,738	\$ 21,164	\$ 5,574
McClellanville	\$ 503,893	\$ 6,002	\$ 497,891
Norway	\$ 40,214	\$ 3,432	\$ 36,782
Palmetto Rural	\$1,578,602	\$565,672	\$1,012,930
Piedmont Rural	\$ 913,291	\$701,735	\$ 211,556
Pond Branch	\$2,703,899	\$285,923	\$2,417,976
Ridgeway	\$ 144,032	\$ 54,124	\$ 89,908
Rock Hill	\$ 831,362	\$831,362	\$ 0
St. Stephen	\$ 350,494	\$ 99,914	\$ 250,580
Sand Hill	\$ 756,192	\$549,480	\$ 206,712
Williston	\$ 740,723	\$ 0	\$ 740,723
West Carolina	\$1,443,710	\$585,239	\$ 858,471
Totals	\$21,393,840	\$10,464,364	\$10,929,476 **

\* Interim LEC Fund reduction yet to be resolved

\*\* Does not reflect future adjustments to Fund

South Carolina Telephone Coalition - Interim LEC Fund Schedule

Transition Year 2001

	(a)	(b)	(c)
Company	Access Revenue Reductions	Interim LEC Fund Reduction	Total Interim LEC Fund
ALLTEL	\$1,940,605	\$902,389	\$1,038,216
Bluffton	\$ 279,657	\$279,657	\$ 0
Chesnee	\$ 414,540	\$ 0	\$ 414,540
Chester	\$ 910,672	\$910,672	\$ 0
Farmers	\$2,739,091	\$731,049	\$2,008,042
Fort Mill	\$ 32,334	\$ 32,334	\$ 0
Hargray	\$1,760,222	\$1,760,222	\$ 0
Heath Springs *	\$ 300,765	\$ 0	\$ 300,765
Home	\$ 923,828	\$553,710	\$ 370,118
Horry	\$1,852,697	\$1,852,697	\$ 0
Lancaster	\$ 206,279	\$206,279	\$ 0
Lockhart	\$ 26,738	\$ 26,738	\$ 0
McClellanville	\$ 503,893	\$ 8,042	\$ 495,851
Norway	\$ 40,214	\$ 4,116	\$ 36,098
Palmetto Rural	\$1,578,602	\$707,090	\$ 871,512
Piedmont Rural	\$ 913,291	\$701,735	\$ 211,556
Pond Branch	\$2,703,899	\$285,923	\$2,417,976
Ridgeway	\$ 144,032	\$ 66,368	\$ 77,664
Rock Hill	\$ 831,362	\$831,362	\$ 0
St. Stephen	\$ 350,494	\$104,462	\$ 246,032
Sand Hill	\$ 756,192	\$756,192	\$ 0
Williston	\$ 740,723	\$ 0	\$ 740,723
West Carolina	\$1,443,710	\$718,219	\$ 725,491
Totals	\$21,393,840	\$11,439,256	\$ 9,954,584 **

\* Interim LEC Fund reduction yet to be resolved

\*\* Does not reflect future adjustments to Fund